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Dominican Republic

Oilseeds and Products

Annual

2005

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Report Highlights:
Dominican imports of soybean meal fell from 330,000 MT in MY 2002 to 290,000 MT in MY 2003, due to domestic economic problems and high international prices. Only 40 percent of this total came from the United States. U.S is expected to regain market in MY 2004. There is significant competition from less expensive South American oils in MY 2003 and this will continue into MY 2004.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Santo Domingo [DR1]
[DR]

Executive Summary

Soybeans are not produced in the Dominican Republic. Therefore, imported soybean products satisfy all local market requirements. There are also practically no oil meals produced in the Dominican Republic, with the exception of about 1,000 tons of coconut meal and small quantities of palm kernel meal.

During the 2003 marketing year (MY) (January-December 2004), consumption of soybean meal decreased, as a result of the weak local economy and high international prices. Imports of soybean meal in MY 2003 were 290,000 metric tons higher than previously anticipated but lower than the year before. Only about 40 percent of imports came from the United States, because of limited availability. Estimates for MY 2004 are anticipated to be higher, as a result of lower prices and the larger U.S. crop. The limited availability of and high prices for U.S. soybean meal forced Dominicans importers to source more than 140,000 metric tons of Brazilian and Argentine meal for delivery before the beginning of the U.S. harvest in 2004. Soybean meal has no import duty and the new DR-CAFTA free trade agreement pending ratification in U.S. and Dominican Congresses, would lock in this zero duty.

Domestic oilseed production for oil in the Dominican Republic is limited. In MY 2003 about 2,000 metric tons of coconut oil and 20,500 metric tons of palm oil were produced and it represents thirteen percent of the country's oil requirements. Production should continue unchanged in MY 2004. There was significant competition in the Dominican market from oils from South America in MY 2003, including soybean oil from Argentina and Brazil, sunflower oil from Argentina, and palm and palm kernel oil from Argentina and Colombia. This will continue into MY 2004.

OILSEEDS

Production

Soybeans are not produced domestically, because of unfavorable climatic conditions. During the 1980s, soybeans were imported from the United States and crushed domestically to produce oil and meal. Since the crushing facility was closed, soybean products are imported to satisfy local market requirements.

Other oilseed production in the Dominican Republic, such as copra, has gradually decreased, due to lower prices of other vegetable oils in the international market and also because of competition for other higher value products derived from coconuts. As a direct consequence, there are only small quantities of copra available for oil extraction. With no new investment projects in sight for peanuts or coconuts, copra production remains flat, at about 3,000 metric tons.

Peanuts, which were once the major raw material for oil extraction, have had strong competition from less expensive oils, such as imported sunflower oil. Furthermore, the better prices offered by the snack food industry have left practically no peanuts available for oil production.

Although palm oil production declined, as a result of the damage to plantations by Hurricane George in 1998, they have gradually recovered. In marketing year (January-December) 1998, production levels dropped to less than 1,500 metric tons but recovered to 20,500 metric tons by 2003. Expectations for increased palm oil production in 2004 remain optimistic, particularly with the current value of the peso and the international prices for other vegetable oils.

Consumption and Trade

Several years ago, the two major producers merged to become MERCASID, which now processes 75 to 80 percent of Dominican oilseeds and imported crude degummed oils. However, La Fabril and Cesar Iglesias are also in operation and are refining imported crude degummed oils also, mostly soybean and palm oils.

Palm is crushed to produce crude palm oil. Crude palm oil is normally refined or further processed as a component for other locally consumed industrial products. Two companies were devoted to palm oil production: INDUSPALMA (a MERCASID sister company and a Unilever associate), and INASCA, an independent producer.

About 3,000 metric tons of copra was processed in MY 2003, yielding less than 2,000 metric tons of crude oil and 1,000 metric tons of meal. Industry estimates the consumption in MY 2004 will remain the same.

Stocks

Stock levels are insignificant.

Policy

The Dominican Republic formally maintains the maximum tariff rate of 40 percent for oilseeds, which is its bound duty in the World Trade Organization (WTO). However, no whole soybeans are imported. The Dominican Republic does not subsidize or restrict the trade of oilseeds. However, the government prefers that all trade be conducted through a registered Dominican agent. Phytosanitary no-objection permits are required but available through the Secretariat of Agriculture.

OIL MEALS

Production

With the exception of about 1,000 tons of coconut meal, there is practically no other oil meal produced in the country. Minimal quantities of palm kernel meal are produced when small amounts of palm kernel are available to crush. Coconut meal production has continued to decrease and currently represents less than 0.3 percent of total meal demand. Major consumers, feed processors for the local poultry and swine industries, rely entirely on imported U.S. soybean meal (48 percent protein) to satisfy their requirements. The United States has remained the Dominican Republic's major supplier of soybean meal, because of quality, price, and proximity, unless availability is limited.

Consumption and Trade

Most of the soybean meal imported services the Dominican poultry and swine industry (at a 75:20 ratio). Protein meal imported into the Dominican Republic is mixed with other imported ingredients to manufacture formulated feed. The balance is used for cattle and other specialty feeds. There is only one major producer in the formulated feed industry, AGRIFEED. Other users are large poultry and swine producers, poultry and swine producer associations, and cooperatives that mix their own feed to minimize costs. These groups, particularly Cooperativa Avicola Ganadera Jarabacoa and the Consejo de Instituciones Pecuarias, which produce almost half of the poultry and swine in the country, supply the Dominican livestock sector with most of its protein requirements (poultry, pork and eggs).

During MY 2003, soybean meal consumption decreased slightly, because of higher international prices (smaller crop in the United States) and the weakening of the local economy. A total of 290,000 metric tons of soybean meal were imported, of which, only 40 percent came from the United States, due to limited supplies. The remainder was imported from Argentina and Brazil. Estimates for MY 2004 are anticipated to be slightly higher, as a result of a larger crop in the United States and lower prices. Since the Dominicans were not happy with the quality of meal imported from Argentina and Brazil last year, all imports in MY 2004 are expected to come from the United States. Soybean meal has no import tax and the DR-CAFTA free trade agreement, if ratified, would lock in duties at zero for unrefined oils and soybean meal and phase out tariffs on refined oils over 15 years. This agreement is pending approval in U.S. and Dominican Congresses.

Bulk soybean meal is imported by a consolidated meal producer who prepares formulated feed for the small- to medium-sized producers in the country and for export to the near-by islands. Another portion of imports is brought directly by the major poultry and swine producers and associations who prepare their own feed formulations. Some of the formulated feed also moves to the Haitian market though informal trade and to other Caribbean countries.

A new product, corn cake and meal (corn gluten) made a strong entry into the feed market several years ago (MY 1999), for cattle formulations. However, recent data show very little corn gluten feed being used as an ingredient for feed formulations. Industry sources indicate that rice and wheat bran continue to be used in feed formulations instead of corn gluten meal.

Stocks

Industry sources indicate that stocks levels are currently lower than the average thirty-day supply.

Policy

The Dominican Republic does not have a comprehensive development strategy for the feed sector. Current budgetary constraints will make any future plan difficult to achieve. While soybean imports are not restricted, there are eight commodities, which include poultry, and swine (sectors that use the majority of the soybean imports), which continue to be protected through the selective issuance of sanitary and phytosanitary permits. Soybean meal has no import duty and the new DR-CAFTA agreement would lock in this zero duty.

Marketing

American Soybean Association representatives visit the Dominican Republic regularly to service the market in the Dominican Republic and Haiti through seminars and technical assistance. They also use part-time consultants to service both countries.

TOTAL OILS

Production

Domestic vegetable oil production in MY 2003 was limited to palm (about 20,500 metric tons of crude oil plus some palm kernel oil) and copra (2,000 metric tons of oil). Local production of oil represented less than 15 percent of the total supply last year and is expected to remain unchanged over the next two to three years. There was significant competition in the Dominican market from oils from South America in MY 2003, including soybean oil from Argentina and Brazil, sunflower oil from Argentina, and palm and palm kernel oil from Argentina and Colombia. This will continue into MY 2004.

Palm plantations have recovered from the effects of the 1998 hurricane, and production is expected to continue to increase with higher oil output. In MY 2003, locally produced palm oil accounted for 90 percent of total domestic oil production. Most of the palm oil is processed further (fractionated) into the edible fraction (used for margarine and oil) and the inedible fraction (for soap).

Coconut oil production is limited to the copra remaining from coconuts, which do not meet the quality needed for either direct export or processing (e.g., syrup for piña coladas). Occasionally, some coconut oil is exported to nearby islands, although this was not the case during the past marketing year. There are numerous coconut producers in the country and many of them sell their copra to the oil processors directly.

Consumption and Trade

In the mid-nineties there were five edible oil processors in the Dominican Republic, but currently there are only three in operation. MERCASID controls approximately 83 percent of the market, LA FABRIL in Santiago quickly gaining over 15 percent and "Cesar Iglesias" with the rest. Current estimated overall capacity exceeds 140,000 metric tons.

Total domestic consumption of edible oils (soybean, sunflower, corn and palm) in MY 2003 is about 161,000 metric tons, slightly higher than last year's levels. This total is not expected to grow much in MY 2004, considering the overall economy and the unstable peso, which have raised local prices of all goods, but particularly imported products. Next marketing year may show some improvement.

The situation for soybean oil consumption and imports is similar. In MY 2003 soybean oil imports showed little increase, as a result of a weak economy, and consumption pattern has shifted to less expensive oils. In addition, U.S. market share has increased, in spite of cheaper oils sourced from South America. MY 2004 is not expected to show major improvement. Consumption of sunflower oil has been substituted for less expensive palm oil, limiting imports to 7,000 metric tons in MY 2003.

In the case of soybean oil, price has been the most important consideration dictating the source of imports. Because of the lower Argentinean prices, the industry generally imports South American oil. U.S. oils have had limited success in the Dominican market, since the phase out of the PL-480 program in 1989, except for emergency purchases or discount loads.

A summary of the Dominican vegetable oil imports for MY 2000, MY 2001 and MY 2002 is presented below:

Dominican Imports of Vegetable Oils MY 2000, MY 2001 and MY 2002

Marketing Year	Oil type	Quantity (MT)	% U.S. Share
MY 2001	Soybean	105,000	42
	Sunflower	8,900	15
	Corn	3,960	100
	Palm	0	0
Total		117,800	42
MY 2002	Soybean	94,525	6
	Sunflower	8,000	0
	Corn	2,700	100
	Palm	4,500	0
	Coconut	600	100
		110,325	8
MY 2003	Soybean	121,200	21
	Sunflower	7,000	0
	Corn	3,000	100
	Palm	10,000	N/A
	Coconut	600	N/A
		141,800	

Source: Industry

Exports of Dominican edible oils to nearby islands are almost non-existent. Small quantities of soybean oil exports have been exported to Haiti (less than 1,000 MT), in addition to an undefined quantity of soybean oil. The Dominican Republic is an observer of CARICOM agreement since February 2002. The Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) has been signed by the United States and the Dominican government but is pending ratification in U.S. and Dominican Congresses.

Stocks

Stocks fluctuate throughout the year and are estimated at about ten to fifteen thousand metric tons, which is equivalent to one month's supply.

Policy

The DR does not have a comprehensive development strategy for the oil sector. Currently, budgetary constraints will make any future plan difficult to achieve.

The applied tariff on most agricultural items in the Dominican Republic, including oils is twenty percent. Crude degummed oils have a basic 10 percent tax, while refined has a 20 percent basic duty. The 16 percent Value Added Tax is not applied to oil imports to maintain relatively low and stable prices to the consumer. The Dominican Republic does not restrict the trade of vegetable oils. However, the DR prefers that all trade be conducted through a registered Dominican agent. The recently negotiated DR-CAFTA free trade agreement, if approved, locks in a zero duty for U.S. crude oils, and phases out duties on refined oils over 15 years.

Marketing

The Dominican oil market is very competitive, with an average supermarket carrying at least eight brands. In addition to local brands, the most popular brands appear to be Crisco (with canola and soybean oils) and Mazola (with corn) imported from the United States and some olive oil brands from the United States and the European Union. The major selling point of these oils is presentation and price.

American Soybean Association representatives visit the Dominican Republic regularly to service the market in the Dominican Republic and Haiti through seminars and technical assistance. They also use part-time consultants to service the area.

STATISTICAL DATA

PSD Table

Country **Dominican Republic**

Commodity **Meal, Soybean** (1000 MT)(PERCENT)

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official	Estimate [	A Official	Estimate [	A Official	Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Crush	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	(PERCENT
Beginning Stocks	28	28	28	28	28	28	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	230	290	330	325	0	330	(1000 MT)
MY Imp. from U.S.	225	118	335	325	0	330	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	258	318	358	353	28	358	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consum	0	0	0		0	0	(1000 MT)
Feed Waste Dom. Consu	230	290	330	325	0	330	(1000 MT)
TOTAL Dom. Consumpti	230	290	330	325	0	330	(1000 MT)
Ending Stocks	28	28	28	28	0	28	(1000 MT)
TOTAL DISTRIBUTION	258	318	358	353	0	358	(1000 MT)
Calendar Year Imports	380	318	330	290	0	325	(1000 MT)
Calendar Yr Imp. U.S.	380	318	330	118	0	325	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

PSD Table

Country Dominican Republic

Commodity Oil, Soybean

(1000 MT)(PERCENT)

	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official	Estimate [	A Official	Estimate [	A Official [	Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Crush	0	0	0	0	0	0	(1000 MT)
Extr. Rate, 999.9999	0	0	0	0	0	0	(PERCENT
Beginning Stocks	13	14	13	14	14	14	(1000 MT)
Production	0	0	0	0	0	0	(1000 MT)
MY Imports	130	121	160	125	0	128	(1000 MT)
MY Imp. from U.S.	20	27	20	25	0	25	(1000 MT)
MY Imp. from the EC	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	143	135	173	139	14	142	(1000 MT)
MY Exports	0	0	0	0	0	0	(1000 MT)
MY Exp. to the EC	0	0	0	0	0	0	(1000 MT)
Industrial Dom. Consum	0	0	0	0	0	0	(1000 MT)
Food Use Dom. Consum	130	121	159	125	0	128	(1000 MT)
Feed Waste Dom. Consu	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumpti	130	121	159	125	0	128	(1000 MT)
Ending Stocks	13	14	14	14	0	14	(1000 MT)
TOTAL DISTRIBUTION	143	135	173	139	0	142	(1000 MT)
Calendar Year Imports	0	115	0	121	0	125	(1000 MT)
Calendar Yr Imp. U.S.	0	16	0	27	0	25	(1000 MT)
Calendar Year Exports	0	0	0	0	0	0	(1000 MT)
Calndr Yr Exp. to U.S.	0	0	0	0	0	0	(1000 MT)